



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
TE/GE EO EXAMINATIONS  
1100 COMMERCE ST. MAIL STOP 4920 DAL  
DALLAS, TEXAS 75242

501-03.00

DATE: October 3, 2012

Release Number: 201327012

Release Date: 7/5/2013

LEGEND

ORG – Organization name

XX – Date Address - address

ORG

ADDRESS

Taxpayer Identification Number:

Person to Contact:

Employee Identification Number:

Contact Numbers:

(Phone)

(Fax)

**CERTIFIED MAIL**

Dear :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated October 19, 19XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

The revocation of your exempt status was made for the following reason:

Courtesy of our examination of your activities and financial records for the years ending December 31, 20XX, through December 31, 20XX, we have determined that your organization has been inactive since 20XX, and that there have been no operations or financial activities conducted or planned. As such, you fail to meet the operational requirements for continued exemption under IRC 501(c)(3). (Treasury Regulation 1.501(c)(3)-1(c))

Contributions to your organization are no longer deductible.

You are required to file income tax returns on Form 1120. If you have not already filed these returns and the examiner has not provided you instructions for converting your previously filed Form(s) 990 to Form(s) 1120], you should file these income tax returns with the appropriate Service Center for the tax years ending December 31, 20XX, and for all tax years thereafter in accordance with the instructions of the return.

Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: United States Tax Court, the United States Court of Federal Claims, or the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed before the 91<sup>st</sup> day after the date this determination was mailed to you if you wish to seek review of our determination. Please contact the clerk of the respective court for rules and the

appropriate forms regarding filing petitions for declaratory judgment by referring to the enclosed Publication 892. Please note that the United States Tax Court is the only one of these courts where a declaratory judgment action can be pursued without the services of a lawyer. You may write to the courts at the following addresses:

You also have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Nanette M. Downing  
Director, EO Examinations

Enclosures:

Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*  
Form 6018, *Consent to Proposed Action - Section 7428*

**DEPARTMENT OF THE TREASURY**

INTERNAL REVENUE SERVICE

TE/GE EO Examinations

1100 Commerce Street

Dallas, TX 75242



**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

**Date: June 4, 2009**

**ORG  
ADDRESS**

**Taxpayer Identification Number:**

**Form:**

**Tax Year(s) Ended**

**Person to Contact/ID Number:**

**Contact Numbers:**

Telephone:

Fax:

**Manager's Name/ID Number:**

**Manager's Contact Number:**

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Dear :

We propose to revoke our recognition of your exempt status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). We enclose our report of examination explaining why we are proposing this action.

If you accept our proposal, please sign and return the enclosed Form 6018, Consent to Proposed Action - Section 7428, unless you have already provided us a signed Form 6018. We will issue a final revocation letter determining you are not an organization described in section 501(c)(3). After the issuance of the final revocation letter we will publish an announcement that you have been deleted from the cumulative list of organizations contributions to which are deductible under section 170 of the Code. If you do not respond to this proposal, we will similarly issue a final revocation letter. Failing to respond to this proposal may adversely impact your legal standing to seek a declaratory judgment because you may be deemed to have failed to exhaust administrative remedies.

If you do not agree with our proposed revocation and wish to protest our proposed revocation to the Appeals Office of the Internal Revenue Service, then you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. This written request is called a protest. For your protest to be valid it needs to contain certain specific information which generally includes a statement of the facts, the applicable law, and arguments in support of your position. For the specific information needed for a valid protest, please refer to page 6 of the enclosed Publication 3498, *The Examination Process*, and page 2 of the enclosed Publication 892, *Exempt Organizations*

*Appeal Procedures for Unagreed Issues.* These documents also explain how to appeal an IRS proposed action.

If you do submit a valid protest, then an Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498 and Publication 892 explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Tract Mediation Services referred to in Publication 3498, generally do not apply after issuance of this letter.

You may also request that we refer this matter for Technical Advice as explained in Publication 892 and an annual revenue procedure. Please contact the individual identified on the first page of this letter if you are considering requesting Technical Advice. If we issue a determination letter to you based on a Technical Advice Memorandum issued by the EO Rulings and Agreements function, then no further administrative appeal will be available to you within the IRS on the matter.

If you agreed with the proposed revocation or if you receive a final revocation letter, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 30 days of the date you agreed with the revocation or the date of your final revocation letter, whichever is sooner, unless a request for extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

We will notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code. Currently, only certain states are eligible to receive notification of proposed revocation actions. You can call the person at the heading of this letter to find out if your State is eligible to receive a notice of revocation of your tax-exempt status.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing  
Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Report of Examination

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit
<b>Explanation of Items</b>		
Name of Taxpayer <b>ORG</b>		Year/Period Ended 12/31/20XX - 12/31/20XX

**LEGEND**

ORG - Organization name  
President - president

Date - XX

State - state

County - county

**ISSUE:**

Whether ORG, continues to qualify for exemption as an organization described in the Internal Revenue code (IRC) Section 501(c)(3) because of no operation or activity since 20XX which includes the year of examination.

**FACTS:**

ORG was incorporated under the laws of the State of State as a non-profit corporation on April 12, 19XX for the purpose of the following:

"To own, acquire, build, construct, alter, renovate, lease, rent, establish, organize, maintain and operate residential housing for the low income families and other persons in need of a place to live in County; to provide living accommodations for such low income, needy and/or other indigent persons requiring same; to furnish sleeping quarters, dining areas, reception rooms, recreation areas and other facilities for the purpose of providing for the care and sustenance of the poor and the needy; to equip, decorate and fit up such residential housing; to provide and supply any and all necessary appurtenances that may be useful or convenient for the conduct of the charitable purposes of this corporation; to secure and provide volunteers to offer aid, assistance, advice and comfort to the poor and other needy individuals; to encourage interest, awareness and activism in local and national political arenas with reference to the plight of low income individuals and families; to provide financial aid and other reasonable economic assistance for the ultimate benefit of the poor and the needy; to initiate and promote civic and political programs beneficial to low income families and others residing in County; to hold, conduct and organize meetings, discussions and forums to consider community opinions on issues affecting the needs of low income families and individuals in County; to aid, assist, cooperate, co-sponsor and otherwise engage in concerted action with private and governmental agencies, organizations and institutions on all programs designed, calculated and dedicated to the improvement of life for the poor and the needy; to solicit, collect and otherwise raise money for the charitable and benevolent purposes of this corporation and to expend such monies for such purposes and generally to endeavor to improve and advance the health, welfare and well-being of the poor and the needy by providing adequate housing."

On October 19, 19XX ORG was recognized to be exempt from Federal income tax as an organization described in IRC Section 501(c)(3).

During telephone discussion on November 30, 20XX, the organization's

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representative stated that the organization established in 19XX for the purpose to provide housing to low income families in County, State. Due to a legal lawsuit, that is still pending, the organization stopped serving all its exempt purposes and activities since 20XX.

In letter dated November 8, 20XX, the organization's representative wrote, "Due to the lawsuit against the corporation and the fact that the corporation was, at the time, ending its business because of the suit, it was determined that the income received by the corporation and the expenses paid should be run thru an account not in the corporate name. As such, the monthly mortgage proceeds and any expenses were received and paid out through President business account. The only business receipt belonging to ORG was the monthly mortgage payment which was retained by President and treated as officer's compensation for that period."

**LAW:**

IRC § 501(c)(3) exempts from federal income tax organizations which are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Tax Reg. § 1.501(c)(3)-1(d)(i) states that an organization may be exempt as an organization described in 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals

Tax Reg. § 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Tax Reg. § 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3)

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Revenue Procedure 90-27, 1990-1 CB 514, (Apr. 30, 1990) states that a ruling or determination letter recognizing exemption may be revoked or modified by (1) a notice to the taxpayer to whom the ruling or determination letter originally was issued, (2) enactment of legislation or ratification of a tax treaty, (3) a decision of the United States Supreme Court, (4) issuance of temporary or final regulations, or (5) issuance of a revenue ruling, revenue procedure, or other statement published in the Internal Revenue Bulletin. The revocation or modification may be retroactive if the organization omitted or misstated a material fact, operated in a manner materially different from that originally represented, or, in the case of organizations to which section 503 applies, engaged in a prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purpose and such transaction involved a substantial part of the corpus or income of such organization. Where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization, revocation or modification will ordinarily take effect as of the date of such material change. In cases where a ruling or determination letter was issued in error or is no longer in accord with the holding of the Service, when section 7805(b) relief is granted (see sections 15 and 18 of Rev. Proc. 90-4), retroactivity of the revocation or modification ordinarily will be limited to a date not earlier than that on which the original ruling or determination letter is modified or revoked.

Revenue Ruling 58-617, 1958-2 CB 260, (Jan. 01, 1958) Rulings and determinations letters granting exemption from Federal income tax to an organization described in section 501(a) of the Internal Revenue Code of 1954, to which contributions are deductible by donors in computing their taxable income in the manner and to the extent provided by section 170 of the Code, are effective only so long as there are no material changes in the character of the organization, the purposes for which it was organized, or its methods of operation. The District Director of Internal Revenue for the district in which the organization is located *must be* advised immediately of any such changes in order that a determination may be made as to the effect the changes may have upon the exempt status of the organization. See generally sections 1.501(a)-1 and 1.6033-1 of the Income Tax Regulations. Failure to comply with this requirement may result in serious consequences to the organization for the reason that the ruling or determination letter holding the organization exempt may be revoked retroactively to the date of the changes affecting its exempt status, depending upon the circumstances involved, and subject to the limitations on retroactivity of revocation found in section 503 of the Code.

#### **TAXPAYER'S POSITION:**

The organization's representative declared that the organization has no operational or financial activities. Agent discussed revocation with the organization's representative on December 22, 20XX and he agreed to the propose revocation as organization is no longer operating for an exempt purpose.



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**GOVERNMENT'S POSITION AND CONCLUSION:**

The Service position is that, the organization has been inactive for several years now and that there have been no operations activities conducted. The sole financial activity is from a mortgage payable to the organization from a previously sold property. As such, ORG fails to meet the operational requirements to continue its exemption status under IRC 501(c)(3). Therefore the effective date will be January 1, 20XX.

**If you agree to this conclusion please sign the attached Forms.**

**If you disagree please submit a statement of your position.**